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SUBJECT: ISRAELIS TELL CODEL SHAYS THEY WON'T TURN OUT THE LIGHTS ON THE PA

Classified By: DCM Gene A. Cretz for reasons 1.4 (b) and (d)

11. (C) Summary: Senior Foreign Policy Advisor Shalom Tourgeman assured CODEL Shays that the GOI would not withhold electricity or take purely punitive economic measures against the Palestinian people, but did say that the GOI believes that all other US, European and Israeli economic assistance should cease. Tourgeman also dismissed any "third option" of working with Palestinian President Abbas on Israeli-Palestinian issues, while allowing Hamas to manage domestic Palestinian policy. On Iran, Tourgeman said that the GOI has a lower threshold than the USG for considering Iran to be a nuclear threat. In a separate meeting, Shimon Peres told the CODEL that the Hamas victory was a protest against bad governance rather than support for an Islamist regime. Peres also briefed the CODEL on his initiative to create a privatized economic development zone along the Israeli and Palestinian borders with Jordan. End summary.

TOURGEMAN:NO THIRD OPTION FOR DEALING WITH HAMAS

12. (C) On February 6, CODEL Shays, consisting of Representatives Christopher Shays (R-CT), John Doolittle (R-CA), Katherine Harris (R-FL) and Virginia Brown-Waite (R-FL), accompanied by staff assistants Dr. R. Nicholas Palarino, Jeffrey Baran, MAJ Carolyn Closs-Walford, DCM and Econoff met with Shalom Tourgeman, Senior Foreign Policy Advisor to the Prime Minister; Ari Varon, Assistant Foreign Policy Advisor to the Prime Minister; and Iris Sapir, MFA Counselor, in the Prime Minister's Office in Jerusalem. Tourgeman opened by confiding that the GOI would have faced a more difficult situation if Hamas had won 20 percent of the PLC seats instead of a majority, as Israel would have had to decide whether or not to cooperate with a PA that was partially Hamas. As Hamas won a clear electoral victory, Tourgeman said that Israel was left with only two options. If Hamas disarms and recognizes the right of the State of Israel to exist, Israel will assume it has a partner for peace and resume cooperation. If Hamas does not comply with these conditions, Israel will no longer cooperate with the PA. Tourgeman did not believe Hamas would change its position, and predicted that Hamas would renew a campaign of violence against Israel. He claimed that Israeli security forces successfully disrupted twelve suicide bombing attacks in the past week.

13. (C) Tourgeman said that the Europeans want Israel to consider a third option, whereby President Abbas maintains the authority to negotiate with Israel, manage foreign policy, and command the Palestinian security forces, while Hamas manages domestic policy. Tourgeman claimed that Abbas himself is pursuing this strategy. Tourgeman dismissed this arrangement as unacceptable to the GOI, and said that the inability or unwillingness of Abbas to confront the terrorist organizations has destroyed his credibility with the GOI. When asked about Israel's intentions if Hamas provides a period of relative peace after assuming power, Tourgeman replied that such a move would not change Hamas' long-term objective of destroying Israel. Shays assured Tourgeman that the United States will be clear that it does not expect Israel to participate or cooperate with a Hamas-led PA.

ECONOMIC FALLOUT OF HAMAS-LED PA

14. (C) Congressman Shays asked for the GOI's views on financial aid to a Hamas-led PA. Tourgeman replied that the GOI believes that all US, European, and Israeli economic assistance to the PA should cease when Hamas takes control. He stressed that Israel would not withhold electricity or take purely punitive economic measures against the Palestinian people. Although the Israeli government had "taken a political beating" for transferring customs revenues to the PA after the PLC election, Tourgeman said the GOI would continue to do so as long as revenues are not used to support terrorism.

15. (C) Tourgeman noted that the GOI currently allows 20,000 Palestinians from Gaza and 20,000 more from the West Bank to enter Israel each day to work. He reiterated the GOI's

intention to end this practice by 2008. Tourgeman said that during more peaceful periods in the past, the GOI had permitted 200,000 Palestinians to enter Israel each day to work. These Palestinians had been replaced by foreign workers from East Asia, although this influx had created other problems. Consequently, the GOI also intends to stop the importation of all foreign workers by 2008.

GOI TO COMPLETE BARRIER; FURTHER WITHDRAWALS ON HOLD

16. (C) Tourgeman said that the Israeli government will wait until after its own elections in March before considering further unilateral actions to protect Israeli national security. The GOI intends to complete the security barrier in the Southern West Bank by the end of 2006 and to construct a similar fence along the Gazan and Egyptian borders. Tourgeman said that the GOI is not considering any further evacuations of settlements in the West Bank. When asked about the recent evacuation of the illegal outpost of Amona, Tourgeman replied that 6,000 soldiers and policemen were required to evacuate nine houses that were clearly illegally constructed on Palestinian land.

A DIFFERENCE OF OPINION ON IRAN

17. (C) When asked by Congressman Shays for his views on Iran, Tourgeman replied that he was pleased with the recent vote to refer Iran to the U.N. Security Council, but was worried that the decision came too late to achieve any real impact on the Iranian weapons program. While he expressed hope that economic sanctions would be levied against Iran, he said that sanctions would only delay Iran's program. He noted the "difference of opinion" between the US and Israeli experts on Iran's point of no return. According to the GOI, the critical juncture will arrive when Iran possesses the technology to make a nuclear weapon, which will happen well before the USG's threshold of Iran actually producing such a weapon.

PERES: HAMAS WON A DILEMMA, NOT A VICTORY

18. (C) In a separate meeting in Tel Aviv, former Vice Prime Minister Shimon Peres told CODEL Shays that he is certain that the majority of Palestinians do not favor a repressive, Islamist religious regime. He characterized the Hamas victory as a protest against corruption, and attributed the election results to Hamas' greater organizational effectiveness. Peres said that the Hamas victory will essentially render President Abbas irrelevant. According to Peres, Hamas had "won a dilemma, not a victory," because Hamas' interests were not served from being burdened with the responsibility of governance. Peres said that Israel must be patient with a Hamas-led PA, but be tough with any terrorist activity. Regarding economic assistance and customs transfers to the PA, Peres believes that Israel should continue to provide assistance unless the PA uses the money to fund violence.

REQUEST FOR SUPPORT FOR ECONOMIC DEVELOPMENT ZONE

19. (C) Peres told the CODEL that governments can make war, but are too bound by politics and bureaucracy to take the risks necessary to make peace. He said that the private sector is accustomed to assuming risk in every major business venture, and called the common economic interests of the Jordanian, Palestinian, and Israeli people the best opportunity for peace in the region. He said that he will press a Kadima-led Israeli government to introduce an economic initiative to create an economic development zone stretching from the Syrian border along the Jordan River to Aqaba and Eilat. Peres told the CODEL that he would appreciate their support in encouraging private American businesses to invest capital in this endeavor. He said that the Israeli experts believed that a private bank would be the most effective choice to administer this zone. Peres claimed that Alternate Prime Minister Olmert and King Abdallah of Jordan had both been briefed on this venture and were fully supportive.

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